

**REPORT OF THE AUDIT OF THE  
FORMER RUSSELL  
COUNTY CLERK**

**For The Period  
January 1, 2004 Through August 31, 2004**



**CRIT LUALLEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE FORMER RUSSELL COUNTY CLERK**

**For The Period  
January 1, 2004 Through August 31, 2004**

The Auditor of Public Accounts of the Commonwealth of Kentucky has completed the former Russell County Clerk's audit for the period January 1, 2004 through August 31, 2004. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Funds of \$70,790 were transferred to the incoming County Clerk, October 15, 2004.

#### **Report Comment:**

- The Former County Clerk's Office Lacks Adequate Segregation Of Duties

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ronnie McFall, Russell County Judge/Executive  
Honorable Brigitte Popplewell, Former Russell County Clerk  
Members of the Russell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the former County Clerk of Russell County, Kentucky, for the period January 1, 2004 through August 31, 2004. This financial statement is the responsibility of the former County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the former County Clerk for the period January 1, 2004 through August 31, 2004, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 12, 2006 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Ronnie McFall, Russell County Judge/Executive  
Honorable Brigitte Popplewell, Former Russell County Clerk  
Members of the Russell County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Former County Clerk's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the former County Clerk and Fiscal Court of Russell County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
April 12, 2006



RUSSELL COUNTY  
BRIGETTE POPPLEWELL, FORMER COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Period January 1, 2004 Through August 31, 2004

Revenues

State Grant - Libraries and Archives	\$	4,003	
State Fees For Services			6,727
Fiscal Court			3,234
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	410,721	
Usage Tax		803,094	
Tangible Personal Property Tax		923,758	
Other-			
Marriage Licenses		4,002	
Occupational Licenses		50	
Filing Petition		820	
Deed Transfer Tax		33,464	
Delinquent Tax		63,298	2,239,207
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		15,466	
Real Estate Mortgages		26,578	
Chattel Mortgages and Financing Statements		36,138	
Powers of Attorney		1,075	
All Other Recordings		14,622	
Charges for Other Services-			
Miscellaneous		2,086	
Copywork		1,059	97,024
Other:			
Title Applications, Affidavits and Notary Fees		6,121	
Commissions Returned From School Board			
for Tangible Tax Collections		13,946	20,067
Interest Earned			671
Total Revenues			2,370,933

The accompanying notes are an integral part of this financial statement.

RUSSELL COUNTY  
 BRIGETTE POPPLEWELL, FORMER COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Period January 1, 2004 Through August 31, 2004  
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 319,824

Usage Tax 778,751

Tangible Personal Property Tax 323,063

Licenses, Taxes, and Fees-

Delinquent Tax 8,094

Legal Process Tax 12,578 \$ 1,442,310

Payments to Fiscal Court:

Tangible Personal Property Tax 58,655

Delinquent Tax 5,505

Deed Transfer Tax 31,793

Elections 92 96,045

Payments to Other Districts:

Tangible Personal Property Tax 519,036

Delinquent Tax 33,077 552,113

Payments to Sheriff 824

Payments to County Attorney 9,229

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries 100,709

Employee Benefits-

Employer's Paid Health Insurance 15,761

Contracted Services-

Advertising 313

Printing and Binding 14,039

Branch Office Rental 2,700

Materials and Supplies-

Office Supplies 121

Other Charges-

Conventions and Travel 1,901

Refunds 1,706

Postage 3,175

Postal box Rental 60

Miscellaneous 1,929

The accompanying notes are an integral part of this financial statement.

RUSSELL COUNTY  
 BRIGETTE POPPLEWELL, FORMER COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Period January 1, 2004 Through August 31, 2004  
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Capital Outlay-

Libraries and Archives	\$ 4,003	\$ 146,417
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Debt Service:

Lease Purchases		4,387
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Funds Transferred To Incoming County Clerk

October 15, 2004		<u>70,790</u>
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Total Expenditures		<u>\$ 2,322,115</u>
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Net Revenues		48,818
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Less: Statutory Maximum		<u>43,325</u>
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Excess Fees		5,493
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Less: Training Incentive	3,093	
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Less: Expense Allowance	<u>2,400</u>	<u>5,493</u>
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Excess Fees Due County		<u><u>\$ 0</u></u>
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The accompanying notes are an integral part of this financial statement.

RUSSELL COUNTY  
NOTES TO FINANCIAL STATEMENT

Period January 1, 2004 Through August 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

RUSSELL COUNTY  
NOTES TO FINANCIAL STATEMENT  
Period January 1, 2004 Through August 31, 2004  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The former County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of August 31, 2004, the former County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the former County Clerk's agent in the former County Clerk's name.

Note 4. Grant

The former County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$3,990 in 2003. The account earned interest of \$9 in 2003 and \$4 interest was earned during 2004. Funds totaling \$4,003 were expended during 2004. The account balance as of August 31, 2004 was \$0.

RUSSELL COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 Period January 1, 2004 Through August 31, 2004  
 (Continued)

Note 5. Leases

The County Clerk's office was committed to the following lease agreements as of August 31, 2004:

<u>Item Purchased</u>	<u>Monthly Payment</u>	<u>Term Of Agreement</u>	<u>Ending Date</u>	<u>Principal Balance August 31, 2004</u>
Better Quality Copier	\$ 250	42 Months	December 1, 2005	\$ 3,750
Xerox-Copier	224	60 Months	October 29, 2008	11,639

COMMENT AND RECOMMENDATION





RUSSELL COUNTY  
BRIGETTE POPPLEWELL, FORMER COUNTY CLERK  
COMMENT AND RECOMMENDATION

For The Period January 1, 2004 Through August 31, 2004

INTERNAL CONTROL - REPORTABLE CONDITION:

The Former County Clerk's Office Lacks Adequate Segregation Of Duties

The former Russell County Clerk's office had a lack of adequate segregation of duties. The following controls could have been implemented to overcome this weakness in internal control and bring about a proper segregation of duties:

- A qualified office employee independent of check writing and posting duties, match purchase orders to checks and invoices. Initializing the purchase orders, and invoices, by this person, and making sure the invoices are marked paid can be shown as evidence of these segregation of duties,
- The person opening the mail should keep a listing of all checks received that day, detailing date received, check amount, who it is from, and what the check is for.
- The person preparing the bank reconciliation should be independent of the person responsible for receiving and posting of cash to the ledgers delegated to separate individuals.
- To have better internal controls, it is a best practice to keep the receipt of cash, disbursements of cash, and the posting of cash to the ledgers delegated to separate individuals.

*Former County Clerk's Response: None.*

PRIOR YEAR:

The following comments and recommendations were in the prior year audit report.

- The County Clerk Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- Annual Fee Settlement Should be Published Within 60 Days Of The End Of The Calendar Year
- The County Clerk Should Settle Excess Fees With Fiscal Court By March 15<sup>th</sup>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ronnie McFall, Russell County Judge/Executive  
Honorable Brigitte Popplewell, Former Russell County Clerk  
Members of the Russell County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the former Russell County Clerk for the period January 1, 2004 through August 31, 2004, and have issued our report thereon dated April 12, 2006. The former County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Russell County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- The Former County Clerk's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Russell County Clerk's financial statement for the year ended August 31, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
April 12, 2006

